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Poultry and Products

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Report Highlights:

The outlook for broiler and egg production in 2002 is bright as strong domestic demand continues to grow. Since Malaysia is self-sufficient in meeting local demand for chicken, duck and eggs, the opportunities for U.S. exporters of these products are limited. The best prospects for U.S. exporters appear to be in supplying day-old chicks, broiler grandparent stock, DOC layer parent stock, frozen turkey/turkey parts and frozen chicken parts.

Includes PSD changes: Yes
Includes Trade Matrix: Yes
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Executive Summary

Malaysia is self-sufficient in meeting the country's demand for chicken and eggs, and a net exporter of both the items. Malaysia has one of the highest per capita consumption rates in the world for chicken (32.5 kg) and eggs (298 units). Malaysia is also self-sufficient in meeting its demand for duck meat with per capita consumption at 1.76 kg. The outlook for broiler meat production in 2001 and 2002 is bright as strong domestic demand continues to drive meat production to a higher level. However, with lower exports to Indonesia, egg production is also expected to show a 1.7% drop in 2001. A turnaround is expected in 2002.

The best prospects for U.S. exporters appear to be in supplying day-old chicks (DOC), broiler grandparent stock, DOC layer parent stock, frozen turkey/turkey parts and frozen chicken parts. There are also opportunities for sales of processed poultry meat and egg products (yolk and albumin powder). Joint-venture investments in the production of higher quality deli meat and egg products may also be an area worth exploring by U.S. business investors.

(NOTE: The market situation in East Malaysian states of Sabah and Sarawak is not fully covered in this report. As data and information from East Malaysia are not readily available, the information in this report pertains primarily to Peninsular Malaysia where the bulk of the country's poultry production and consumption takes place. However, East Malaysia should not be overlooked by potential U.S. exporters as it does offer some excellent opportunities for sales of frozen chicken and in particular, chicken parts).

Exchange rate: US1.00 = RM3.80 since 1998.

Production

1. Poultry meat - Broiler

-- Breeding Stock (Broiler)

The Malaysian poultry sector relies solely on high quality exotic breeds from the United States, Europe, Canada, and Australia. According to a survey conducted by the Malaysian Department of Veterinary Services (DVS), the standing broiler parent stock population rose 3 percent to 3.7 million birds in 2000. There are five fully integrated and twenty non-integrated parent stock breeder farms in the country. The principal breeds are Avian (41%), Arbor Acres (26%), Cobb (17%), Ross (6%) and Shaver (5%). The domestic industry is about 67 percent self sufficient in the production of parent stock. Since there are only two grandparent farms (Avian and Arbor Acres), about 33 percent of the day-old parent stock were imported from North America, the EU and Thailand.

The broiler breeding companies produced 383 million-day-old chicks in 2000, a 4.2 percent increase from 1999. In tandem, total supply of 42-day-old broilers is expected to increase 4.5 percent to 364 million birds in 2000. Over the years, integrators have been increasing their market share, pushing out the smaller non-integrated breeding farms. Following the Nipah Virus outbreak in the swine sector in early 1999, the GOM allowed day-old chick imports to meet the surge in demand for broiler meat. Most of the increases in imports were from neighboring Thailand. As the domestic supply situation improves, day-old chick imports are expected to decline in 2001 and 2002.

Table1: Imports of day-old chicks:

Countries	Quantity (Unit)	
	1999	2000
Thailand	6,126,360	3,992,196
U.S.A.	877,538	1,650,368
United Kingdom	162,752	795,664
Singapore	253,000	734,131
Netherlands	235,978	425,375
Indonesia	121,810	287,662
France	176,073	257,702
Germany F.R.	119,720	208,115
China	346,595	101,301
New Zealand	0	73,315
Denmark	17,895	49,478
Japan	30,080	35,305
Belgium	52,566	28,590
Philippines	9,776	21,528
Switzerland	10,120	9,275
Canada	19,030	0
Korea, Rep. of	87,650	0
Taiwan	8,625	0
Total	8,655,568	8,670,005

Source: The Department of Statistics, Kuala Lumpur

-- Broiler Meat

Production of broiler meat rose by 6 percent to 740 TMT in 2000. The average price of RM 3.14/kg assured a good return to the farmers. The average price of RM2.81/kg assured a good return to the farmers. Average cost of production ranged between RM2.50/kg to RM2.94/kg. Integrated as well as non-integrated farms expanded production during 2000.

The broiler sector is optimistic of further expansion in 2001 and 2002. The Malaysian economy is expected to show a small growth despite the jitter caused by the slow-down in its top export market, the United States. The manufacturing sector 2002 looks even brighter with domestic consumption of broiler meat poised for further growth.

2. Poultry meat - Turkey

There is no commercial production of turkey in Malaysia.

3. Poultry meat - Duck

The standing breeder stock population is about 39,500 birds and ducks meat production only amounts to total 74,000 metric tons. Malaysia is self-sufficient in meeting its demand for duck meat with per capita consumption at 1.76 kg. A small increase in duck meat production is expected in 2001/2002.

4. Poultry - Eggs

-- Breeding Stock (layers)

According to a DVS survey, the standing layer parent stock population increased by 7.4 percent to 384,170 birds in 2000. The principal breeds are Lohman (23%), Isa Brown (18%), Hisex (14%), Hyline (14%) and Golden Comet (13.5%). Since there is no grandparent layer breeder farm in Malaysia, all parent stocks are imported. Essentially all breeds are either of European or U.S. origin. However, the Isa Brown breed was imported from Indonesia. The EU had about a 77% share of the import market in 2000, followed by the U.S. (12%) and Indonesia (10%). High capital investment involved in establishing modern integrated facilities hinders the emergence of commercial integrators.

In 2000, a total of 19.5 million of commercial layer pullets was produced with and 107,000 birds brought over from the East Malaysian State of Sarawak. The outlook for 2001 and 2002 is brighter with the industry expecting a 8.8 percent increase in 2001 and 4.8 percent increase in 2002.

-- Egg Production

The chicken egg industry also has moved rapidly in the direction of large-scale production, with some farms employing various degrees of automation. However, this sub-sector has not seen the same degree of integration achieved in the broiler industry. Egg production rose 2.7 percent to

5.7 billion units in 2000 but is expected to decrease to 5.6 billion units in 2001 in view of weaker demand from Indonesia. An anticipated increase in domestic consumption will drive the 2002 egg production to a higher level.

Consumption

Malaysia has one of the highest per capita consumption rates in the world for chicken and eggs. Per capita consumption of chicken is reported at 32.5 kg and eggs at 298 units. Chicken meat is the most popular and cheapest source of meat protein among Malaysians, in large because there are no dietary prohibitions and religious restrictions against chicken consumption.

The surge of quick-service-restaurants (QSR) such as Kentucky Fried Chicken (KFC), McDonald's, A&W, Kenny Rogers Roasters, Taza Bar-B-Q Chicken, Nando's Chickenland (a South-African based chain) have encouraged strong growth in chicken consumption. These chicken-based fast food outlets are constantly whipping out new dishes to attract crowds. KFC through its subsidiary company, Ayamas Food Corporation, supplies chicken to all its 277 restaurants throughout the country. Ayamas also operates retail stores selling dressed and ready-to-serve chicken meals. These take-away fares are very popular with working women who have little time to prepare their family meals.

Home-grown fast food chains such as Marrybrown, Sugarbun, Nineteen O One, Ball Fastfood, all with chicken menus similar to those of KFC, have also expanded, particularly to smaller cities. These local chains creatively incorporate local preparation in their menu. Traditional Malaysian foods such as *Satay Ayam* (barbecued chicken sticks), *Rendang Ayam* (curry chicken with rice), *Ayam Pedas Special* (savory rice and chicken) and *Nasi Ayam* (chicken rice) are popular with patrons. Business in these local chains is reported to be doing well.

In addition, the emergence of other western type restaurants such as American Chili's, TGI Fridays and Mississippi Slim's Real American Barbecue Restaurant, all of which serve a variety of chicken dishes, has helped to increase chicken consumption as chicken products are among the popular items on their menus.

Traditionally, demand for turkey is high during Thanksgiving and Christmas seasons. Hotels feature roast turkey in their menu as part of the celebration offering. High-end retail outlets offer cooked turkeys with stuffings to consumers who wish to order turkey ready-to-eat. However, the trend in turkey consumption is changing especially among Malaysian urban dwellers. With more Malaysians traveling overseas and exposed to western-style foods, they are now more inclined to purchase turkeys for preparation in their own homes. Hotel chefs are also instrumental in introducing roast turkey including Indian style turkey with curry rice stuffings, Malay-style turkey in banana leaf and Chinese barbecued turkey have been included in the menus of food and beverage outlets of 5-star hotels. Retail promotions featuring turkey parts and cooking demonstrations using turkeys in everyday cooking have helped Malaysian consumers appreciate the bigger and meatier bird.

Trade

Since 1983 the Government of Malaysia began to limit imports of frozen chicken into Peninsular Malaysia by instituting import licensing. The action was taken to protect domestic chicken producers. The states of Sabah and Sarawak in East Malaysia implemented similar restrictions on chicken imports in 1991.

Whole and frozen chickens and chicken parts are imported periodically depending on local supply situations. Some are shipped through Singapore for East Malaysian states of Sabah and Sarawak. In 2000, total imports of frozen whole chicken and chicken parts were only valued at US\$16 million. The major suppliers were China (US\$9 million), Thailand (US\$4 million), Germany (US\$1 million) and U.S. (US\$0.7 million). Since Malaysia is self-sufficient in chicken meat, the opportunity for US exporters to export is very limited.

Further processed products which were exclusively imported before are now locally produced. Chicken frankfurters, cocktail sausages, burgers and nuggets are produced by Ayamas Food Corporation under its brand name of *Ayamas*, *Ayam Dindings* by Dindings Poultry, *Farm's Best* by Sinmah Food Industries. Local processed products dominate about 90% of the market. Hence, it is difficult for imported processed products to compete on the basis of price. However, there are some high quality products that have found favors with chefs of international hotels and with consumers at the upper income levels.

Since Malaysia is self-sufficient in egg production, fresh egg imports are insignificant. However, imports of egg products including dried egg yolk and egg albumin were about US\$1.4 million in 2000. With the expanding baking industry and an increasing number of cake houses, the primary end-users of these products, significant growth in imports can be expected since local production is nil. Main suppliers of processed egg products are Belgium, the United States, the Netherlands and the United Kingdom.

Since there is no commercial production of turkey in Malaysia, all turkey meat is imported. In 2000, imports of frozen whole turkey and turkey parts totaled 450 metric tons with CIF value of US\$1.0 million. The United States was the only significant supplier capturing more than 96% of the market.

There is a growing niche market for turkey/processed turkey products and this should present opportunities for U.S. suppliers. U.S. exporters should consider establishing a good relationship with a local importer/distributor and conduct jointly funded promotions to increase retailer and consumer awareness and acceptance of these products. Generic market development activities funded by USA Poultry and Egg Export Council, as well as branded promotions by U.S. companies, should be stepped up at the consumer/retail level.

Marketing

Marketing Infrastructure/Channels

About 80% of chickens in the country are sold in the wet markets as Malaysian housewives are very particular about the freshness of chicken. Though local councils are enforcing health laws to prohibit chicken slaughter in wet markets, wholesalers arrange to slaughter the birds in selected areas and bring dressed chicken to the marketplace. The remaining 20% of sales occur in modern

supermarkets and mini markets as well as numerous retail outlets operated by some of the integrated poultry companies.

Locally, further-processed products are distributed to wholesalers, supermarkets, hypermarkets, catering institutions, restaurants and hotels. Integrators such as KFC Holdings, Dinding Poultry and Sinmah Resources have their own marketing and distribution arms. Since processed products are not subject to government price controls, other integrators are moving into the business. Processed products like nuggets and frankfurters come in colorful, attractive packages to attract customers, especially children. Packages of one-kilo and 340-grams are popular consumer sizes. Currently, there is no import duty on poultry meat and 5% duty on eggs and eggs products. However, import permits from the Malaysian Department of Veterinary Services are required for all shipments of poultry and eggs products into the country.

All poultry shipments must be accompanied by appropriate U.S. Department of Agriculture documentation. Since Malaysia has a large Muslim population, all poultry products must be certified "halal" and must originate from slaughterhouses which have been inspected and approved by the Malaysian veterinary and religious authorities. Currently, there are twenty-eight U.S. poultry facilities approved by the Malaysian authorities. U.S. suppliers who are interested in exporting to Malaysia should contact USA Poultry and Egg Export Council (USAPEEC) to coordinate inspection visits by Malaysian authorities to approve their facilities for "halal" exports to Malaysia.

PSD for Poultry

PSD Table						
Country	Malaysia					
Commodity	Poultry, Meat, Total				(1000 MT)(MIL HEAD)	
	Revised	2000	Preliminary	2001	Forecast	2002
	Old	New	Old	New	Old	New
Market Year Begin		01/2000		01/2001		01/2002
Inventory (Reference)	0	0	0	0	0	0
Slaughter (Reference)	0	0	0	0	0	0
Beginning Stocks	28	28	26	26	26	29
Production	690	740	730	761	0	780
Whole, Imports	1	0	1	0	0	0
Parts, Imports	15	13	18	14	0	16
Intra EC Imports	0	0	0	0	0	0
Other Imports	0	0	0	0	0	0
TOTAL Imports	16	13	19	14	0	16
TOTAL SUPPLY	734	781	775	801	26	825
Whole, Exports	2	0	2	1	0	1
Parts, Exports	5	3	6	4	0	5
Intra EC Exports	0	0	0	0	0	0
Other Exports	0	0	0	0	0	0
TOTAL Exports	7	3	8	5	0	6
Human Consumption	701	752	741	767	0	791
Other Use, Losses	0	0	0	0	0	0
Total Dom. Consumption	701	752	741	767	0	791
TOTAL Use	708	755	749	772	0	797
Ending Stocks	26	26	26	29	0	28
TOTAL DISTRIBUTION	734	781	775	801	0	825
Calendar Yr. Imp. from U.S.	6	1	7	3	0	4

Export Trade Matrix for Poultry

Export Trade Matrix			
Country	Malaysia		
Commodity	Poultry, Meat, Total		
Time period	2000 Jan-Dec; 2001 Jan-Apr	Units:	Metric Ton
Exports for:	2000		2001
U.S.		U.S.	
Others		Others	
Singapore	1320	Hong Kong	422
Hong Kong	1125	Singapore	370
Brunei	50	Brunei	27
Indonesia	45	Indonesia	10
Thailand	31	Thailand	5
Japan	21		
Philippines	12		
Mauritius	1		
Total for Others	2605		834
Others not Listed			
Grand Total	2605		834

Import Trade Matrix for Poultry

Import Trade Matrix			
Country	Malaysia		
Commodity	Poultry, Meat, Total		
Time period	2000 Jan-Dec; 2001 Jan-Apr	Units:	Metric Ton
Imports for:	2000		2001
U.S.	1411	U.S.	250
Others		Others	
China	6402	China	3477
Thailand	2780	Thailand	2505
Germany F.R.	1400	Denmark	432
Netherlands	530	Germany F.R.	109
Denmark	101		
Australia	84		
India	75		
Taiwan	24		
Canada	23		
South Africa	15		
Total for Others	11434		6523
Others not Listed			
Grand Total	12845		6773

PSD for Chicken

PSD Table						
Country	Malaysia					
Commodity	Plty, Meat, Chicken -16 wks				(1000 MT)(MIL HEAD)	
	Revised	2000	Preliminary	2001	Forecast	2002
	Old	New	Old	New	Old	New
Market Year Begin		01/2000		01/2001		01/2002
Inventory (Reference)	4	4	5	4	0	5
Slaughter (Reference)	365	364	385	377	0	384
Beginning Stocks	28	28	26	26	26	29
Production	610	666	640	685	0	700
Whole, Imports	0	0	0	0	0	0
Parts, Imports	15	12	16	13	0	15
Intra EC Imports	0	0	0	0	0	0
Other Imports	0	0	0	0	0	0
TOTAL Imports	15	12	16	13	0	15
TOTAL SUPPLY	653	706	682	724	26	744
Whole, Exports	2	0	2	1	0	1
Parts, Exports	5	3	6	4	0	5
Intra EC Exports	0	0	0	0	0	0
Other Exports	0	0	0	0	0	0
TOTAL Exports	7	3	8	5	0	6
Human Consumption	620	677	648	690	0	710
Other Use, Losses	0	0	0	0	0	0
Total Dom. Consumption	620	677	648	690	0	710
TOTAL Use	627	680	656	695	0	716
Ending Stocks	26	26	26	29	0	28
TOTAL DISTRIBUTION	653	706	682	724	0	744
Calendar Yr. Imp. from U.S.	5	1	6	2	0	3

Export Trade Matrix for Chicken

Export Trade Matrix			
Country	Malaysia		
Commodity	Pty, Meat, Chicken -16 wks		
Time period	2000 Jan-Dec; 2001 Jan-Apr	Units:	Metric Ton
Exports for:	2000		2001
U.S.		U.S.	
Others		Others	
Singapore	1320	Hong Kong	422
Hong Kong	1125	Singapore	370
Indonesia	36	Indonesia	10
Thailand	30		
Japan	21		
Philippines	12		
Total for Others	2544		802
Others not Listed			
Grand Total	2544		802

Import Trade Matrix for Chicken

Import Trade Matrix			
Country	Malaysia		
Commodity	Pty, Meat, Chicken -16 wks		
Time period	2000 Jan-Dec; 2001 Jan-Apr	Units:	Metric Ton
Imports for:	2000		2001
U.S.	949	U.S.	179
Others		Others	
China	6363	China	3468
Thailand	2780	Thailand	2505
Germany F.R.	1400	Denmark	432
Netherlands	530	Germany F.R.	109
Denmark	102		
Australia	82		
India	75		
Taiwan	24		
Canada	23		
Total for Others	11379		6514
Others not Listed			
Grand Total	12328		6693

Prices Table for Chicken

Prices Table			
Country	Malaysia		
Commodity	Plty, Meat, Chicken -16 wks		
Prices in	Ringgit	per uom	Kilogram
Year	2000	2001	% Change
Jan	3.5	3.5	0.00%
Feb	3.4	3.3	-2.94%
Mar	3.3	3.5	6.06%
Apr	2.9	2.8	-3.45%
May	2.94	3	2.04%
Jun	3.1	3.2	3.23%
Jul	3.3	3.04	-7.88%
Aug	2.8		-100.00%
Sep	2.75		-100.00%
Oct	2.66		-100.00%
Nov	3.1		-100.00%
Dec	3.5		-100.00%
Exchange Rate	3.799	Local currency/US \$	

PSD Table for Turkey

PSD Table						
Country	Malaysia					
Commodity	Poultry, Meat, Turkey				(1000 MT)(MIL HEAD)	
	Revised	2000	Preliminary	2001	Forecast	2002
	Old	New	Old	New	Old	New
Market Year Begin		01/2000		01/2000		01/2000
Inventory (Reference)	0	0	0	0	0	0
Slaughter (Reference)	0	0	0	0	0	0
Beginning Stocks	0	0	0	0	0	0
Production	0	0	0	0	0	0
Whole, Imports	0	0	0	0	0	0
Parts, Imports	0	0	0	1	0	1
Intra EC Imports	0	0	0	0	0	0
Other Imports	0	0	0	0	0	0
TOTAL Imports	0	0	0	1	0	1
TOTAL SUPPLY	0	0	0	1	0	1
Whole, Exports	0	0	0	0	0	0
Parts, Exports	0	0	0	0	0	0
Intra EC Exports	0	0	0	0	0	0
Other Exports	0	0	0	0	0	0
TOTAL Exports	0	0	0	0	0	0
Human Consumption	0	0	0	1	0	1
Other Use, Losses	0	0	0	0	0	0
Total Dom. Consumption	0	0	0	1	0	1
TOTAL Use	0	0	0	1	0	1
Ending Stocks	0	0	0	0	0	0
TOTAL DISTRIBUTION	0	0	0	1	0	1
Calendar Yr. Imp. from U.S.	0	0	0	1	0	1

Import Trade Matrix for Turkey

Import Trade Matrix			
Country	Malaysia		
Commodity	Poultry, Meat, Turkey		
Time period	2000 Jan-Dec; 2001 Jan-Apr	Units:	Metric Ton
Imports for:	2000		2001
U.S.	433	U.S.	67
Others		Others	
South Africa	15		
Australia	1		
Total for Others	16		0
Others not Listed			
Grand Total	449		67

PSD Table for Eggs

PSD Table						
Country	Malaysia					
Commodity	Poultry, Eggs				(MIL HEAD)(MIL PCS)	
	Revised	2000	Preliminary	2001	Forecast	2002
	Old	New	Old	New	Old	New
Market Year Begin		01/2000		01/2001		01/2002
Layers	20	20	21	21	0	22
Beginning Stocks	93	93	98	103	103	94
Production	5820	5720	5990	5620	0	5750
Hatch Eggs, Imports	0	3	0	4	0	5
Shell Eggs, Imports	0	2	0	2	0	3
Other Imports	0	0	0	0	0	0
Intra EC Imports	0	0	0	0	0	0
TOTAL Imports	0	5	0	6	0	8
TOTAL SUPPLY	5913	5818	6088	5729	103	5852
Hatch Eggs, Exports	5	5	5	5	0	5
Shell Eggs, Exports	570	485	580	350	0	330
Other Exports	0	0	0	0	0	0
Intra EC Exports	0	0	0	0	0	0
TOTAL Exports	575	490	585	355	0	335
Hatch Eggs, Consumption	0	0	0	0	0	0
Shell Eggs, Human	5240	5225	5400	5280	0	5420
Shell Eggs, OT Use/Loss	0	0	0	0	0	0
Other Dom. Consumption	0	0	0	0	0	0
Total Dom. Consumption	5240	5225	5400	5280	0	5420
TOTAL Use	5815	5715	5985	5635	0	5755
Ending Stocks	98	103	103	94	0	97
TOTAL DISTRIBUTION	5913	5818	6088	5729	0	5852
Calendar Yr. Imp. from U.S.	0	2	0	2	0	3

Export Trade Matrix for Eggs

Export Trade Matrix			
Country	Malaysia		
Commodity	Poultry, Eggs		
Time period	2000 Jan-Dec; 2001 Jan-Apr	Units:	Million Unit
Exports for:	2000		2001
U.S.		U.S.	
Others		Others	
Singapore	258	Singapore	86
Indonesia	188	Indonesia	27
Brunei	38	Brunei	3
Hong Kong	6		
Total for Others	490		116
Others not Listed			1
Grand Total	490		117

Import Trade Matrix for Eggs

Import Trade Matrix			
Country	Malaysia		
Commodity	Poultry, Eggs		
Time period	2000 Jan-Dec; 2001 Jan-Apr	Units:	Million Unit
Imports for:	2000		2001
U.S.	2	U.S.	1
Others		Others	
Netherlands	3		
Total for Others	3		0
Others not Listed			
Grand Total	5		1

Prices Table for Eggs

Prices Table			
Country	Malaysia		
Commodity	Poultry, Eggs		
Prices in	M'sian Sen	per uom	Unit
Year	2000	2001	% Change
Jan	19.3	15.5	-19.69%
Feb	18	16.75	-6.94%
Mar	18.5	16.75	-9.46%
Apr	16.25	15.5	-4.62%
May	17.3	16.25	-6.07%
Jun	18.5	20.5	10.81%
Jul	17.8	17.8	0.00%
Aug	16.5		-100.00%
Sep	16.25		-100.00%
Oct	15.7		-100.00%
Nov	17.5		-100.00%
Dec	17.75		-100.00%
Exchange Rate	3.799	Local currency/US \$	